

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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P 072101Z FEB 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 7610

C O N F I D E N T I A L CARACAS 1567

E.O. 11652: GDS

TAGS: ETRD, VE

SUBJECT: U.S. TRADE ACT - VENEZUELA GSP EXCLUSION

1. IN COURSE OF LUNCHEON CONVERSATION, DIRECTOR OF COMMERCIAL POLICY OF INSTITUTE OF FOREIGN TRADE, DARIO BAUDER, TOLD EMBOFF THAT ELIMINATION OF ECUADOR AND VENEZUELA FROM EXCLUSION OF GSP BENEFITS IN TRADE ACT WOULD NOT BE SUFFICIENT TO PLACATE VENEZUELA'S EXTREME DISPLEASURE WITH DISCRIMINATORY FEATURES OF ACT. BAUDER SAID ACT CONTAINS SEVERAL DISCRIMINATORY AND COERCIVE ASPECTS WHICH ENABLE THE UNITED STATES TO HOLD CLUB OVER HEAD OF LDC'S WHO DO NOT ACT ACCORDING TO U.S. WISHES. IN ADDITION TO GSP EXCLUSION BASED ON OPEC MEMBERSHIP, BAUDER REFERRED TO BALANCE OF PAYMENTS CONDITIONS AND EXPROPRIATION FEATURES OF LAW ENABLING UNITED STATES TO DENY GSP PREFERENCES.

2. EMBOFF WAS TAKEN BACK BY INTENSITY WITH WHICH BAUDER, WHO IS NORMALLY A COOL AND COLLECTED DIPLOMAT, CRITICIZED TRADE ACT. IN ORDER TO BE PERFECTLY SURE OF BAUDER'S POSITION, EMBOFF ASKED, "ARE YOU SAYING THAT IF VENEZUELA AND ECUADOR WERE RELIEVED FROM GSP EXCLUSION BY VIRTUE OF THE FACT THAT THEY DID NOT PARTICIPATE  
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IN ARAB OIL EMBARGO, THAT VENEZUELA WOULD DEMAND THAT ALL OPEC

MEMBERS BE GIVEN SIMILAR TREATMENT?" BAUDER REPLIED AFFIRMATIVELY AND SAID THAT IN ORDER FOR VENEZUELA TO BE CONSISTENT WITH ITS POSITION THAT ALL LDC'S HAVE THE RIGHT TO PARTICIPATE IN CARTELS AND OTHER ARRANGEMENTS IN ORDER TO IMPROVE THEIR TERMS OF TRADE, VENEZUELA WOULD HAVE TO TAKE THIS POSITION.

3. IN RESPONSE TO EMBOFF'S QUESTION AS TO WHETHER THIS WAS THE OFFICIAL POSITION OF THE VENEZUELAN GOVERNMENT, BAUDER DEMURRED BUT SAID THAT HE IS SURE IT IS THE THINKING OF MANY GOV OFFICIALS AND THAT THIS MESSAGE WAS CLEARLY IMPLIED, IF NOT EXPLICITLY STATED, BY AMBASSADOR MACHIN DURING THE RECENT OAS SPECIAL CONFERENCE. HE EMPHASIZED THAT AMBASSADOR MACHINE WAS SPEAKING UPON DIRECT ORDERS FROM THE PRESIDENT WHEN HE MADE HIS REMARKS AT THE OAS MEETING. HE ADDED THAT HE DID NOT KNOW WHETHER FOREIGN MINISTER ESCOVAR TOOK THE SAME LINE WITH SECRETARY KISSINGER BECAUSE ESCOVAR HAD JUST RECENTLY BEEN APPOINTED AND MAY NOT HAVE RECEIVED ORDERS FROM THE PRESIDENT IN THIS REGARD.

4. CONCERNING THE RECENT EFFORTS MADE BY THE AMERICAN CHAMBER OF COMMERCE IN VENEZUELA TO HAVE THE TRADE ACT AMENDED TOWARD ELIMINATING VENEZUELA FROM THE GSP EXCLUSION, BAUDER SAID THESE PEOPLE HAVE THEIR OWN INTERESTS AND ARE NOT AWARE OF THE POLITICAL AND PHILOSOPHICAL NECESSITY OF VENEZUELA SUPPORTING THE POSITION OF NON-DISCRIMINATORY TREATMENT FOR ALL LDC'S WHO BAND TOGETHER TO OBTAIN A JUST PRICE FOR THEIR PRIMARY EXPORTS. BAUDER ACKNOWLEDGED THAT IF ATTEMPTS TO ELIMINATE ONLY VENEZUELA AND ECUADOR FROM THE GSP EXCLUSION WERE SUCCESSFUL, THIS MAY HAVE A COUNTER-PRODUCTIVE EFFECT ON U.S.-VENEZUELAN RELATIONS WHEN THE U.S. CONGRESS REALIZED THAT VENEZUELA WAS NOT SATISFIED IN HAVING ONLY ITS OWN INTERESTS PROTECTED. BAUDER STRESSED THAT THE ECONOMIC CONSEQUENCES OF THE GSP EXCLUSION ARE INSIGNIFICANT BECAUSE BY THE CALCULATIONS OF THE INSTITUTE OF FOREIGN TRADE, LESS THAN \$100 MILLION WORTH OF EXPORTS WOULD BE AFFECTED. IN THIS CONNECTION EMBOFF OBSERVED THAT VENEZUELA, DESPITE FREQUENT REQUESTS FROM THE EMBASSY, HAD NEVER SUBMITTED A LIST OF PRODUCTS FOR GSP INCLUSION BAUDER REPLIED THAT THE GOV DID NOT WISH TO LIMIT ITSELF TO ONLY 50 PRODUCTS AND THAT FURTHERMORE THE U.S. GOVERNMENT SHOULD HAVE KNOWN WHICH PRODUCTS WOULD BE OF INTEREST TO VENEZUELA, AS WELL AS THE OTHER LDC'S. HE ADDED THAT SOME OF THE MOST IMPORTANT PRODUCTS TO THE LDC'S, SUCH AS CONFIDENTIAL

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TEXTILES AND SHOES, ALREADY HAVE BEEN EXCLUDED FROM CONSIDERATION AND THAT IT WAS A GENERAL FEELING THAT WHENEVER AN LDC EXPORT HAD PROSPECTS FOR BEING COMPETITIVE IN THE U.S. MARKET, THAT IT WOULD PROBABLY BE EXCLUDED UNDER THE TERMS OF THE ACT AS ENDANGERING U.S. DOMESTIC INDUSTRIES.

5. WHEN PRESSED UPON TH CONCLUSION OF THE CONVERSATION AS TO WHETHER IT WAS THE POSITION OF THE VENEZUELAN GOVERNMENT THAT

OBTAINING ELIMINATION OF VENEZUELA FROM THE GSP EXCLUSION WOULD BE TO NO AVAIL, BAUDER SAID THAT WHILE THIS POSITION HAS NOT BEEN ENUNCIATED AS GOVERNMENT POLICY, IT WAS CERTAINLY THE POSITION HELD BY MANY INFLUENTIAL GOVERNMENT OFFICIALS.

6. COMMENT: WHILE EMBASSY IS NOT SURE TO WHAT EXTENT BAUDER'S STATEMENTS REPRESENT OFFICIAL GOVERNMENT POSITION REGARDING POSSIBLE ELIMINATION OF VENEZUELA FROM GSP EXCLUSION, HE SHOULD BE IN POSITION AT LEAST TO REFLECT VIEWS OF ICE. THERE EXIST STRONG GROUNDS TO BELIEVE THAT GOV MAY VERY WELL PREFER ROLE OF MARTYR AND DEFENDER OF LDCS' RIGHT TO FORM CARTELS IN OAS FORUM RATHER THAN DUBIOUS ECONOMIC BENEFITS WHICH WOULD BE DERIVED FROM GSP INCLUSION.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE LAW, GENERALIZED PREFERENCES (TARIFFS), DIPLOMATIC PROTESTS, FOREIGN POLICY POSITION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975CARACA01567  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750046-0288  
**From:** CARACAS  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t19750263/aaaacezh.tel  
**Line Count:** 129  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 12 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <12 SEP 2003 by izenbei0>; APPROVED <23 SEP 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** U.S. TRADE ACT - VENEZUELA GSP EXCLUSION  
**TAGS:** ETRD, VE, US, EC, OPEC, (BAUDER, DARIO)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006